

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 FEA-01 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15
STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01
IO-13 /098 W

-----038679 090112Z /63

R 051802Z AUG 77
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 8695

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EO 11652 NA
TAGS: ETRD GATT VE
SUBJ: NOTIFICATIONS OF SERVICES RESTRAINTS IN THE MTN
REF: STATE 180218

1. ARTICLE 93 OF DECREE 870 DTD APRIL 22, 1975, REQUIRES THAT A FIXED PERCENTAGE OF ALL REINSURANCE BE PLACED IN VENEZUELA. THE REQUIREMENT CALLS FOR A MINIMUM OF 40 PERCENT OF THE TOTAL TO BE PLACED WITH LOCAL FIRMS IN THE CASE OF REINSURANCE TREATIES, AND 100 PERCENT IN THE CASE OF FACULTATIVE SINGLE RISK INSURANCE. EXCEPTIONS CAN BE GRANTED ONLY WHEN IT CAN BE DOCUMENTED THAT THE FIRM INVOLVED WAS NOT ABLE, FOR REASONS BEYOND ITS CONTROL, TO COMPLY WITH THE DECREE.

2. ARTICLE 4 OF DECREE 870 PROVIDES THAT POLICIES COVERING RISKS LOCATED IN VENEZUELA AND INSURED ABROAD ARE NOT LEGALLY ENFORCEABLE IN VENEZUELA UNLESS THE INSURANCE IS PLACED THROUGH A REGISTERED VENEZUELAN COMPANY AND FEES ARE CONSISTENT WITH THOSE APPROVED BY THE SUPERINTENDENT OF INSURANCE.

3. IN ADDITION, ON NOV 11, 1974, THE PRESIDENT INSTRUCTED ALL PUBLIC AGENCIES WITH THE EXCEPTION OF THE MINISTRY OF
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DEFENSE, TO WRITE INSURANCE CONTRACTS ONLY WITH COMPANIES 90 PERCENT OWNED BY VENEZUELANS. TO THE BEST OF OUR KNOWLEDGE, THIS REQUIREMENT IS UNIQUE TO THE INSURANCE INDUSTRY. IN OTHER INDUSTRIES, 80PERCENT LOCAL OWNERSHIP MEETS THE ESTABLISHED CRITERIA FOR EXERCISING ALL RIGHTS AND PRIVILEGES ENJOYED BY VENEZUELAN FIRMS, INCLUDING THE RIGHT TO DO BUSINESS WITH THE GOVT. FURTHER, ONLY VENEZUELAN NATIONAL MAY ACT AS

AGENTS OR BROKERS WRITING POLICIES WITH PUBLIC ENTITIES.
INDUSTRY SOURCES ESTIMATE THE GOVT (INCLUDING PRIVATE
SECTOR INDUSTRIES) ACCOUNTS FOR 15PERCENT OF ALL INSURANCE
CONTRACTS (BY VALUE) ISSUED IN THIS COUNTRY.

4. EFFORTS TO REDUCE OR ELIMINATE CONSTRAINTS DESCRIBED IN
PARA 1 AND 2 ABOVE IN MTN WOULD PROBABLY BE UNSUCCESSFUL.
ELIMINATION OF 90PERCENT REQUIREMENT OUTLINED PARA 3 HAS
BETTER CHANCE OF SUCCESS SINCE IT WOULD SUPPORT EFFORT NOW
UNDERWAY IN VENEZUELA TO ACCOMPLISH THIS END AND SINCE
REQUIREMENT NOT A MATTER OF LAW.

5. FOR DEPT'S INFO, ALL INSURANCE COMPANIES OPERATING
IN VENEZUELA MUST, BY LAW, BE 80PERCENT OWNED BY VENEZUELAN.
FOREIGN FIRMS HAD TO TRANSFORM THEMSELVES INTO NATIONAL COMPANIES
(80PERCENT VENEZUELAN) BY MAY 31, 1977. FOR OTHER INDUSTRIES(EG)
MANUFACTURING) THE DEADLINE WAS EXTENDED TO DEC 30; ONLY
THE INSURANCE INDUSTRY WAS REQUIRED TO MEET THE MAY 31
DEADLINE.

6. DECREE 2031 DTD FEB 8, 1977, RESTRICTED THE ACTIVITIES
OF FOREIGN FIRMS IN SERVICE AREAS SUCH AS MARKETING
AND CONSULTING. SUBSTANCE OF DECREE 2031 REPORTED IN
CARACAS 1535. TEXT OF DECREE CONTAINED IN CARACAS A-22 DTD
FEB 17, 1977. SUGGEST DEPT REVIEW BOTH REPORTS
TO ASCERTAIN WHETHER THESE REGULATIONS CONSTITUTE SIGNIFICANT
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RESTRAINTS WITHIN THE MTN CONTEXT. IF REQUESTED, EMBASSY
COULD SUBMIT ADDITIONAL INFO TAILORED TO NEEDS OF MTN
PRESENTATION.
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Message Attributes

Automatic Decaptoning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE COMPLAINTS, TRADE CONTROLS
Control Number: n/a
Copy: SINGLE
Sent Date: 05-Aug-1977 12:00:00 am
Decapton Date: 01-Jan-1960 12:00:00 am
Decapton Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977CARACA07759
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Format: TEL
From: CARACAS
Handling Restrictions: n/a
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ISecure: 1
Legacy Key: link1977/newtext/t19770894/aaaadbnj.tel
Line Count: 98
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Litigation Codes:
Litigation History:
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Original Classification: LIMITED OFFICIAL USE
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Review Action: RELEASED, APPROVED
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Review Release Date: n/a
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Review Withdrawn Fields: n/a
SAS ID: 1702327
Secure: OPEN
Status: NATIVE
Subject: NOTIFICATIONS OF SERVICES RESTRAINTS IN THE MTN
TAGS: ETRD, VE, GATT
To: STATE
Type: TE
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